GARVIN COUNTY RURAL WATER DISTRICT NO. 1 TABLE OF CONTENTS YEAR ENDED OCTOBER 31, 2021

	Page
INTRODUCTORY SECTION: Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with	
Government Auditing Standards.	3-5
Financial Statements:	6
Statement of Assets, Liabilities, and Net Position –	
Modified Cash Basis	7
Statement of Revenues, Expenses and Changes in Net Position-	
Modified Cash Basis	8
Statement of Cash Flows – Modified Cash Basis	9
Notes to Financial Statements	10-13

Kimberlye R. Mayer, CPA, P.C.

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Independent Auditor's Report

Board of Directors Garvin County Rural Water District No. 1

Report on the Financial Statements

We have audited the accompanying statement of assets, liabilities, and net position of Garvin County Rural Water District No. 1 as of October 31, 2021 and the related statements of revenues, expenses and changes in net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such an opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the modified cash basis financial position of Garvin County Rural Water District No. 1, as of October 31, 2021; the changes in modified cash basis financial position; and cash flows thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 2022 on our consideration of Garvin County Rural Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

PAPC

Kimberlye R. Mayer, CP

Blackwell Oklahoma

October 19, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Garvin County Rural Water District No. 1

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Garvin County Rural Water District No. 1, which comprise the statement of assets, liabilities and net position as of October 31, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2022. The financial statements were prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Garvin County Rural Water District No. 1,'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Garvin County Rural Water District No. 1,'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Garvin County Rural Water District No. 1,'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses as 2021-1, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garvin County Rural Water District No. 1,'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Garvin County Rural Water District No. 1's Response to Findings

Garvin County Rural Water District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Garvin County Rural Water District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose,

Kimberlye R. Mayer, CPA, Blackwell, Oklahoma

October 19, 2022

GARVIN COUNTY RURAL WATER DISTRICT NO. 1 SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED OCTOBER 31, 2021

2021-1:

Material Weakness Communicated In Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition:

Presently, the same individual is responsible for water service billings and receiving payments; making and recording deposits; maintaining billing registers; and reconciling the monthly bank statements. The same individual is writing and recording checks. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the water billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:

The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:

The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

FINANCIAL STATEMENTS

AND

NOTES

GARVIN COUNTY RURAL WATER DISTRICT NO. 1 STATEMENT OF ASSETS, LIABILITIES AND NET POSITION MODIFIED CASH BASIS OCTOBER 31, 2021

ASSETS

Current Assets: Cash and cash equivalents Certificates of deposit Inventory	\$ 130,477 38,341 14,398
Total Current Assets	183,216
Intangible assets - Water Rights (Note 3)	721,140
Capital assets	
(net of accumulated depreciation) (Note 2)	615,602
Total Assets	\$ 1,519,958
LIABILITIES AND NET POSITION	
Liabilities:	\$
Current Liabilities:	
Payroll tax due	2,904
Current portion long-term debt (Note 4)	50,973
Total Current Liabilities	53,877
Long-term Liabilities:	
Noncurrent portion long-term debt (Note 4)	344,105
Total Liabilities	397,982
Net Position:	
Net investment in capital assets	220,524
Restricted for debt service	57,895
Unrestricted	843,557
Total Net Postion	1,121,976
Total Liabilities and Net Position	\$ 1,519,958

GARVIN COUNTY RURAL WATER DISTRICT NO. 1 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION MODIFIED CASH BASIS YEAR ENDED OCTOBER 31, 2021

Water sales \$ 329,674 Reconnect and transfer fees 2,200 Late penalties 2,942 Other income 3,364 Total Operating Revenues 338,180 Operating Expenses: Payroll 111,675 Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 9,756 Office and postage 9,756 Building maintenance 48,948 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 <th>Operating Revenues:</th> <th></th> <th></th>	Operating Revenues:		
Late penalties 2,942 Other income 3,364 Total Operating Revenues 338,180 Operating Expenses: Payroll 111,675 Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,944 Meetings and travel 9,756 Office and postage 9,756 Building maintenance 3,692 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (21,600) ODOT project income (21,600) <	Water sales	\$	329,674
Other income 3,364 Total Operating Revenues 338,180 Operating Expenses: 1 Payroll 111,675 Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 9,756 Office and postage 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense 21,600 ODOT project expense 2	Reconnect and transfer fees		2,200
Total Operating Revenues 338,180 Operating Expenses: 338,180 Payroll 111,675 Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 9,756 Building maintenance 9,756 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 9,324 Licenses, permits, DEQ and fees 34,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income (21,600) ODOT project expense (21,600) Total Nonoperating Revenues 614 Cha	Late penalties		2,942
Operating Expenses: 111,675 Payroll 111,675 Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 0ffice and postage 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974	Other income		3,364
Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 70ffice and postage 9,756 Building maintenance 3,692 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064	Total Operating Revenues		338,180
Payroll taxes 10,028 Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 0ffice and postage 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Operating Expenses:		
Employee benefits 16,865 Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 0ffice and postage 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 11,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Payroll		111,675
Repairs, maintenance and supplies 41,991 Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 9,756 Office and postage 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Payroll taxes		10,028
Fuel and auto expenses 6,115 Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 9,756 Office and postage 9,756 Building maintenance 3,692 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 3,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Employee benefits		16,865
Insurance and bonds 8,085 Professional fees 8,944 Meetings and travel 9,756 Building maintenance 3,692 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 51,400 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Repairs, maintenance and supplies		41,991
Professional fees 8,944 Meetings and travel 70ffice and postage 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 51,400 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Fuel and auto expenses		6,115
Meetings and travel 9,756 Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 51,400 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Insurance and bonds		8,085
Office and postage 9,756 Building maintenance 3,692 Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Professional fees		8,944
Building maintenance 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Meetings and travel		
Water purchases 3,692 Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Office and postage		9,756
Telephone and mobile phones 1,938 Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Building maintenance		
Utilities 9,324 Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Water purchases		3,692
Licenses, permits, DEQ and fees 3,424 Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Telephone and mobile phones		1,938
Depreciation 48,983 Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Utilities		9,324
Total Operating Expenses 280,820 Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses):	Licenses, permits, DEQ and fees		3,424
Operating Income (Loss) 57,360 Nonoperating Revenue (Expenses): 1,067 Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Depreciation		48,983
Nonoperating Revenue (Expenses): Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Total Operating Expenses		280,820
Interest income 1,067 Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Operating Income (Loss)		57,360
Benefit units 10,000 Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Nonoperating Revenue (Expenses):		
Rental income 4,800 Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Interest income		1,067
Interest expense (15,253) ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Benefit units		10,000
ODOT project income 21,600 ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Rental income		4,800
ODOT project expense (21,600) Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	Interest expense		(15,253)
Total Nonoperating Revenues 614 Change in Net Position 57,974 Net Position, beginning of year 1,064,002	ODOT project income		21,600
Change in Net Position 57,974 Net Position, beginning of year 1,064,002	ODOT project expense		(21,600)
Net Position, beginning of year 1,064,002	Total Nonoperating Revenues		614
Net Position, beginning of year 1,064,002	Change in Net Position		57,974
		?	1,064,002
	Net Position, end of year	\$	1,121,976

GARVIN COUNTY RURAL WATER DISTRICT NO.1 STATEMENT OF CASH FLOWS MODIFIED CASH BASIS YEAR ENDED OCTOBER 31, 2021

Cash Flows From Operating Activities:	
Cash received from customers	\$ 338,180
Cash payments to suppliers for goods and services	(120,083)
Cash payments to employees	(111,675)
Net cash provided (used) by operating activities	106,422
	,
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Principle payments on notes	(60,238)
Interest paid on notes	(15,253)
Loan proceeds	250,125
(Increase) decrease in capital assets	(457,180)
Rental income	4,800
Benefit units and improvement fees	10,000
Net cash provided (used) by financing activities	(267,746)
Cash flows from investing activities:	
Interest income	1,067
Difference in loan payoff	(1,180)
(Increase) decrease in CD's	149,147
Net cash provided (used) by investing activities	149,034
Net increase (decrease) in cash and cash equivalents	(12,290)
Beginning cash and cash equivalents	142,767
Ending cash and cash equivalents	\$ 130,477
Reconciliation of income (loss) from operations to net cash	
provided (used) by operating activities:	
Operating income or loss	\$ 57,360
Adjustments to reconcile income (loss) from operations	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
to net cash provided (used) by operating activities:	
Depreciation	48,983
(Increase) decrease in inventory	
Increase (decrease) in payables	79
Net cash provided (used) by operating activities	\$ 106,422

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Garvin County Rural Water District No. 1 was created under the Rural Water District Act, Title 82, as amended, of the laws of the State of Oklahoma. The District is exempt from federal and state income taxes. The purpose of the District is to provide water services to the owners and occupants of land located within the District, and others as authorized by law. Membership in the water district consists of water users who have paid the required membership fees.

The District is an entity governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members.

Basis of Accounting

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are finances mainly through user charges. The financial statements of the District have been prepared using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets, and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities on their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Deposits

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies, or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all accounts and certificates of deposit with a maturity of three months or less to be cash equivalents.

Maintenance Reserves

As part of the loan agreement with OWRB, see Note 4, the District is to maintain a reserve equal to 125% of the maximum annual amount due for debt service. At October 31, 2021 the District had \$57,895 in its reserve account.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Budget

The District is not legally required to adopt a budget.

<u>Inventory</u>

Supplies inventory is valued at cost and is recorded when purchased and expensed when used.

NOTE 2 – WATERLINE SYSTEM AND EQUIPMENT:

Waterline extensions and additions are capitalized and depreciated over their estimated useful lives. Annual depreciation is calculated on a straight-line basis. Total depreciation for the year ended October 31, 2021 was \$48,983. The balances for depreciable assets by major category as of October 31, 2021 are as follows:

		10/31/20	De	eletions	A	Additions	10/31/21
Land	\$	43,500	\$		\$		\$ 43,500
Waterline system		1,663,865					1,663,865
Machinery and equipment		135,517					135,517
Buildings and improvement	S	155,946					155,946
Office equipment & furnitu	re	19,177				3,730	22,907
Work in progress		0				53,450	53,450
Accumulated depreciation		(1,410,600)				(48,983)	 (1,459,583)
Total	\$	607,405	\$	0	\$	8,197	\$ 615,602

NOTE 3 – INTANGIBLE ASSETS:

The District has acquired water rights which have been classified as intangible assets. Management has performed its annual evaluation of these intangible assets and has determined that no impairments are necessary as fair market values exceed the carrying costs as of October 31, 2021.

NOTE 4 – NOTES PAYABLE:

In November 2006, the District entered into a loan agreement with the OWRB for a DWSRF loan for water system improvements for \$264,587. Collateral for this loan is the revenue from operations and a mortgage with a power of sale and security agreement. The note initially had an interest rate of 3.50% and an administrative fee of .5%, however in 2014, the OWRB refunded the bonds to which this loan was pledged. Through the refunding, the ORWB saved the District \$43,903, therefore, there is no more interest due on the loan. Principal payments are due on March 15 and September 15 of each year until the maturity date of March 15, 2027. Principle payments made during the year ended October 31, 2021 were \$18,055.

NOTE 4 – NOTES PAYABLE (continued):

In June 2011, the District entered into a loan agreement with an individual for \$130,000 to purchase a building. Collateral for this loan is a security interest in the property. The note has an interest rate of 5%. The monthly payments are \$1,378 until the maturity date of June 21, 2021. Principle payments paid during the year ended October 31, 2021 were \$9,647.

In May 2012, the District entered into a loan of \$90,047 to purchase land and water rights. Collateral for this note is a certificate of deposit. The note has an interest rate of 3.2% and a maturity date of May 20, 2021. The monthly payments are \$1,000. Principle payments during the year ended October 31, 2021 were \$2,469.

In December 2015, the District entered into a loan of \$200,000 to purchase land and water rights. The note has an interest rate of 5.595% and a maturity date of January 7, 2026. The monthly payments are \$2,176. Principle payments made during the year ended October 31, 2021 were \$20,189.

In December 2202, the District entered into a loan of \$250,125 to purchase water rights. The note has an interest rate of 4.25% and a maturity date of December 20, 2035. The monthly payments are \$1,884. Principle payments made during the year ended October 31, 2021 were \$9,878

The following is a summary of the District's future annual debt requirements:

Year Ended]	Payments]	Principal	Interest	
10/31/2022		66,850		52,476	-	14,374
10/31/2023		66,929		53,955		12,974
10/31/2024		67,009		55,855		11,154
10/31/2025		52,339		43,149		9,190
10/31/2026		25,954		18,304		7,650
10/31/2027-10/31/2032		113,044		85,199		27,845
10/31/2033-10/31/2035		94,150		86,140		8,010
Totals	\$	486,275	\$	395,078	\$	91,197

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).
- Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued):

The District's financial instruments include cash and cash equivalents, certificates of deposit and inventory. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 6 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amounts of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims during the year ended October 31, 2021.

NOTE 7 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 8 – CONTINGENCIES:

As of October 31, 2021, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through October 19, 2022 the date which the financial statements were available to be issued.